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TAGS: PFOR, ENRG, EFIN, UK, EC

SUBJECT: HAROLD LEVER ON OIL CONSUMER COOPERATION

1. IN MAY 9 MEETING WITH ACTING SECRETARY RUSH, HAROLD LEVER STRESSED THAT HIS PLAN FOR COOPERATION AMONG OIL CONSUMING NATIONS WAS NOT A PLAN AT ALL BUT A COLLECTION OF IDEAS DESIGNED TO STIMULATE AND PROMOTE THE COOPERATIVE EFFORT FOR WHICH SECRETARY KISSINGER HAD CALLED AT THE WASHINGTON ENERGY CONFERENCE (WEC). THE IDEAS WERE HIS BUT HAD BEEN DISCUSSED FREELY WITH THE PRIME MINISTER. LEVER, WILSON'S SPECIAL ADVISOR ON ECONOMIC AND FINANCIAL AFFAIRS, EMPHASIZED THAT WHILE THE CONCEPTS HE HAD ADVANCED WERE ALL THEORETICALLY SOUND, SOME MIGHT PROVE UNFEASIBLE IN PRACTICE. IN ANY EVENT, HE WAS NOT WEDDED TO ANY ONE IDEA; IF BETTER ONES COULD BE FOUND TO ACHIEVE THE SAME OBJECTIVES, WELL AND GOOD, HE WOULD HAVE NO OBJECTIONS.

2. LEVER STATED THAT HIS GOALS IN PROMOTING CONSUMER COOPERATION WERE TO (1) AVOID INDIVIDUAL SCRAMBLING FOR AVAILABLE SUPPLIES, "BECOMING A RABBLE IN THE FACE OF A PRODUCER MONOPOLY," (2) ASSIST LDC CONSUMERS, AND (3) AVOID A MAJOR CATASTROPHE IN WORLD MONEY MARKETS CAUSED BOTH BY MASSIVE TRANSFERS AND THE INABILITY OF EXISTING MARKETS TO UTILIZE THE VAST NEW INVESTMENT FUNDS WHICH WOULD RESULT. HE WAS CONVINCED THAT HOWEVER FLEXIBLE OR

IMPERFECT THE ARRANGEMENTS FOR CONSUMER COOPERATION, SOME EQUIVALENT POWER ON THE CONSUMER SIDE WAS MANDATORY IF THE POWER OF THE OPEC MONOPOLY WAS TO BE COUNTERED. OF COURSE, MR. LEVER SAID, ALL DEPENDS ON THE SUCCESSFUL OUTCOME OF SECRETARY KISSINGER'S EFFORTS IN THE MIDDLE EAST, BUT CONSUMER COOPERATION WAS THE ONLY WAY TO AVOID BEING PICKED OFF ONE BY ONE.

3. RESPONDING TO QUERIES FROM THE ACTING SECRETARY AND UNDER SECRETARY DONALDSON, LEVER SAID ANY SCHEME COULD NOT HOPE TO SUCCEED WITHOUT THE PARTICIPATION OF OIL COM-
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PANIES, PARTICULARLY IN THE ALLOCATION OF SUPPLIES. SOME COMPANIES, HE THOUGHT, DID A "DAMN SIGHT BETTER" THAN SOME EUROPEAN GOVERNMENTS DURING THE OIL EMBARGO AND WERE "MORE MORAL" TOWARD HOLLAND IN ADDITION. HE DID NOT THINK THAT CONSUMER COOPERATION WOULD FORCE OPEC TO BE MORE COHESIVE THAN OTHERWISE; IN HIS OPINION THE DISTASTE AND FEAR SHOWN BY OPEC TOWARD SUCH COOPERATION WAS BECAUSE THEY THOUGHT IT MIGHT SUCCEED. HE WAS NOT

ADVOCATING UNNECESSARY CONFRONTATION, BUT HE WAS CONVINCED OPEC MONOPOLY WOULD HAVE TO BE MET BY CONSUMER MONOPSONY. "MUTUAL DISARMAMENT" COULD THEN TAKE PLACE, I.E., BOTH CARTELS COULD BE DISMANTLED. LEVER COULD NOT ACCEPT LOWERING OF PRICES BY OPEC FIAT ANY MORE THAN OPEC PRICE RISES, SINCE WE WOULD STILL HAVE A MONOPOLY PRICE, WHATEVER THE LEVEL.

4. TO MEET LEGITIMATE CONCERNS AMONG PRODUCERS OVER PRICES OF THEIR INDUSTRIAL IMPORTS, LEVER THOUGHT SOME FORM OF INDEXING LINKING OIL PRICES TO EXPORT PRICES OF THE DEVELOPED COUNTRIES WOULD BE NECESSARY. HOWEVER, HE FELT THIS WOULD HAVE TO COME SEQUENTIALLY, TO INDEX AT PRESENT OIL PRICE LEVELS WOULD, IN HIS WORDS, BE "ENDORING AN ACT OF EXTORTION." IN THE LONGER TERM, WE SHOULD TRY TO MOVE THE PRODUCERS TOWARD ACCEPTANCE OF AN INTERNATIONALLY SUPPORTED ARRANGEMENT, EITHER WITHIN THE EXISTING WORLD MONETARY SYSTEM OR IN SOME NEW CONFIGURATION, FOR RECYCLING FUNDS. THIS WOULD BE THE BEST WAY TO PROTECT PRODUCER INTERESTS IN DIVERSIFYING THEIR ECONOMIES AND FINDING PROFITABLE INVESTMENT OUTLETS, WHILE AVOIDING INTOLERABLE STRAINS ON THE PRESENT SYSTEM--WHICH WOULD BE IN THE INTEREST OF US ALL. RUSH

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